

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 58th LEGISLATURE - REGULAR SESSION

JOINT APPROPRIATIONS SUBCOMMITTEE ON CORRECTIONS AND PUBLIC SAFETY

Call to Order: By **CHAIRMAN STANLEY FISHER**, on January 8, 2003 at 8:15 A.M., in Room 317-A Capitol.

ROLL CALL

Members Present:

Rep. Stanley (Stan) Fisher, Chairman (R)
Sen. Corey Stapleton, Vice Chairman (R)
Sen. Keith Bales (R)
Rep. Carol C. Juneau (D)
Rep. Tim Callahan (D)
Sen. Trudi Schmidt (D)

Members Excused: Rep. Dave Lewis (R)

Members Absent: None.

Staff Present: Marian Collins, Committee Secretary
Brent Doig, OBPP
Lorene Thorson, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed. The time stamp for these minutes appears at the beginning of the content it refers to.

Committee Business Summary:

Hearing(s) & Date(s) Posted: Public Service Commission and
Testimony, 1/7/2003
Executive Action: None

{Tape: 1; Side: A; Approx. Time Counter: 0.3 - 11.3}

CHAIRMAN FISHER began by requesting that speakers limit comments to five minutes and confine remarks to the budget in order to expedite the hearing.

CHAIRMAN FISHER notified committee members that on Monday morning, January 13, 2003, Military Affairs will be flying this committee via helicopter to Great Falls for a tour of the Montana Air National Guard facilities at Gore Field as the National Guard has been called out to protect this base. Departure is at 7:00 a.m. and return to Helena by 12:30 p.m.

CHAIRMAN FISHER will notify the National Guard that seven committee members will be making the flight. Lunch will be served.

CHAIRMAN FISHER reminded committee members that in every case when they are going to be absent from any hearings, to leave a proxy with another member so there is always a quorum. **CHAIRMAN FISHER** requested that everyone present to testify please sign in the Visitor's Register and that all questions be directed to him. Mr. Doig, Ms. Thorson and Ms. Collins were then introduced.

CHAIRMAN FISHER drew attention to the schedule and reminded the committee that they will be meeting in Room 317A at 8:00 a.m. each morning. **CHAIRMAN FISHER** asked that Ms. Thorson reiterate ground rules.

Ms. Thorson stated they were on the back of the schedule and are consistent with those used in past sessions. She stated that the agency order is on the back. Each agency will give their presentation followed by any LFD or OBPP issues or comments, followed by public testimony.

Ms. Thorson informed the committee that **CHAIRMAN FISHER** has decided that this year Executive Action will be taken the day after an agency is heard. The committee will then go through the Decision Packages(DP). Sample language is provided to use when there is Executive Action.

CHAIRMAN FISHER stated that, according to leadership, it's not going to be necessary to make a motion to accept the present law adjustment because of the way they were handled in the Appropriations Committee. It won't be necessary for the chairman to open the committee meetings by saying, "We will accept the present law adjustment." Each committee has been assigned a base and they will go from there.

CHAIRMAN FISHER informed the committee that there are three kinds of funding in the State of Montana; State special funding which comes from the sale of gasoline taxes, fees, fines which are special revenue funds and they don't come out of the general fund. They don't appear in the budget under the general category.

The Public Service Commission (PSC) gets all of their fees and funding from the people they serve and regulate. The PSC is funded by state special funding so any addition or deletion from their budget reflects back on the people that they regulate so if their funding is increased, it will increase the rate they will be charging the people that they regulate. Any decrease will decrease the amount of money that they find necessary to get from the people they regulate.

PUBLIC SERVICE COMMISSION TESTIMONY

{Tape: 1; Side: A; Approx. Time Counter: 11.4 - 16.5}

Bob Rowe, Chairman of the Public Service Commission(PSC), introduced the other commissioners present and reiterated that they are funded by assessment on regulated companies against gross operating revenue which works out to .0023%. There are 39 FTE's including the commissioners. The largest part of the PSC budget is for personal services. The commissioners support DP 2 which contains a rent increase negotiated by the Department of Administration, which is more than offset by a reduction for minor equipment purchases; mainly computers. They also support DP 3 which removes the Universal Access Program funds. Concerning DP 1, the \$100,000 biennial appropriation to hire experts, the PSC strongly requests that this amount not be reduced. The PSC believes they have used previous funding prudently and they will continue to do so. The PSC is requesting the funding because Montanans are being buffeted by national policy decisions and regional markets regarding technical telecommunication, natural gas and electricity issues. Telecommunication issues concerning the Universal Service Fund at the federal level including litigation. Secondly, Montana is very much exposed to the regional wholesale market and the PSC's interest is to make that market as efficient and effective as possible. The PSC will be active at the Federal Energy Regulatory Commission and various regional and national levels to make sure the wholesale energy market is as competitive as possible for customers. The PSC asks that the amount not be restricted. In the past, the PSC has not used the expert or consultant allocation during the biennium other than for hiring experts. **Mr. Rowe** then introduced **Wayne Budt, Administrator of Transportation and Centralized Services Division of the PSC.**

CHAIRMAN FISHER informed the committee to look at the budget sheets listing DPs noting those with an LFD issue which are opinions of LFD as to how questions can be developed regarding concerns or how this matter can be handled. DP2 is the rent increase due to having to move into new office space and rent

going up. The Department of Administration charges the PSC for the increase.

{Tape: 1; Side: A; Approx. Time Counter: 18.2 - 19.4}

Ms. Thorson presented a brief overview of the Universal Access Program surcharge that was applied to all private corporations involved in telecommunications in Montana and was restricted to collecting revenue from the 1999 biennium. Some of those funds were used but the fund balance ended up being over \$600,000 and the need hadn't been there for using those funds. During the August 2002 Special Session that fund balance was taken and part of it was transferred to the general fund. Ninety percent went to the Department of Public Health and Human Services to provide social services. Therefore DP 3 removes the Universal Access funds that were spent in the base year and prevents this authority from continuing in the 2005 biennium.

SEN. BALES asked whether this number will appear this time but then it will disappear next time.

Ms. Thorson stated that there aren't Universal Access funds in the PSE budget this time and this removes that authority. This is merely a bookkeeping entry.

SEN. BALES asked for clarification of DP 2 - Rent Increase/Computer Replacement.

{Tape: 1; Side: A; Approx. Time Counter: 20.6 - 25.5}

Ms. Thorson stated that the DP contains a rent increase of about \$8,000 and also in the base year 2002 approximately \$44,000 was spent on computers. She said the PSC doesn't need \$44,000 again for computers and therefore requested that \$40,000 be reduced. With the increase of rent, it reduces that reduction to \$31,000. In 2005 the numbers are a little bit different; but it actually leaves no money for computers in 2005. **Ms. Thorson** referred committee members to pages D-53 and D-54 of the budget analysis which reflects the Agency Proposed Budget, Funding Tables, Biennium Budget Comparison, and Present Law Adjustments.

{Tape: 1; Side: A; Approx. Time Counter: 27.7 - 28.2}

SEN. STAPLETON asked **Ms. Thorson** if there is a standard regarding funding carried forward.

{Tape: 1; Side: B; Approx. Time Counter: .9 - 1.2}

Mr. Budt informed the committee that PSC replaces computers on a four-year cycle as set by Department of Administration and these need to be replaced in this biennium. Funding received last biennium replaced all computers that were at least four years old.

CHAIRMAN FISHER commented that the PSC requests \$100,000 each biennium for consultants and the LFD reports that an average of less than \$8,000 was used of those funds since 1996. The request for \$100,000 is included in the rate base that the consumer ultimately ends up having to pay.

Ms. Thorson noted that if any agency reverts funds that aren't spent at the end of a fiscal year, they have the right to carry forward 30% of that amount, which can be used for anything. The PSC had funds that were reverted and the agency can use those funds wherever they see the need. Once restricted funds are reverted and become carry-forward funds, the agency gets 30% back to use at its discretion and the money is no longer restricted.

Mr. Rowe stated that the PSC would spend these funds on energy issues particularly in the wholesale market and on activities around federal telecommunication policy. Money spent in both areas benefits the energy companies and their customers.

Mr. Budt stated that one of the uses for this money is to make up the vacancy savings that the legislature assesses.

SEN. STAPLETON requested base budgets for all agencies appearing before this committee in order to demonstrate continuity in allocations.

CHAIRMAN FISHER requested Ms. Thorson secure this information before Executive Action on Thursday. **CHAIRMAN FISHER** also asked what positions are vacant and how necessary they are.

{Tape: 2; Side: A; Approx. Time Counter: 0 - 2}

Mr. Rowe stated that the five positions are currently vacant and include one analyst in the energy area, one attorney working with energy-rated issues, one clerical position cross-training in dealing with consumer complaints and docket management, a division administrator for the utility division, and a policy advisor.

REP. JUNEAU asked how an agency deals with the need to fill a position when their budget has been affected by vacancy savings and where do they find that extra money.

Ms. Thorson said they would leave positions open if someone leaves to try and generate whatever dollar amount they've been given. If all of their positions were filled and no one did leave, one way they could deal with it is to use the carry-forward funds.

Mr. Doig noted that there is a personal services contingency to help. It's questionable whether that's going to continue on in the 2005 biennium.

CHAIRMAN FISHER noted that the PSC belongs to two organizations requiring about \$16,000 a year for membership dues and asked how important these are to the operation of the PSC.

Mr. Rowe stated those organizations are the National Association of Regulatory Utility Commissioners (NARUC) and the National Regulatory Research Institute which is the PSC's primary vehicle for developing long-term research. **Mr. Rowe** also noted that he is one of four state commissioners in the country who is on the federal/state joint board on universal service. The appointments are made by the Federal Communications Commission from among NARUC members.

CHAIRMAN FISHER informed the committee that Executive Action will be taken in the morning.

January 8, 2003

PAGE 7 of 7

ADJOURNMENT

Adjournment: 9:15 A.M.

REP. STANLEY (STAN) FISHER, Chairman

MARIAN COLLINS, Secretary

SF/MC

EXHIBIT (jch03aad)